



6. How does Michigan compare to other states / provinces / countries with respect to energy efficiency standards? Are the standards correlated with the cost of energy or excess generating capacity in such jurisdictions? How does Michigan's efficiency standard compare given our cost of energy and generating capacity?

Cost of energy is included in most energy efficiency standards through a requirement that efficiency investments meet a “cost effectiveness” test. The test examines the cost of the efficiency measure over the life of the measure vs. the levelized cost of the generation it is reducing. Since cost effectiveness is required, consumers, regulators and legislators can be assured that any investment in energy efficiency will lead to a reduction in cost for consumers.

The measurements of costs and benefits should be clearly articulated by the legislature with flexibility for implementation by the utility commission. There are numerous methods of quantifying costs including the “total resource cost” (TRC) and the Utility Cost Test (or Program Administrator Cost Test) – the primary difference between the two is that the TRC uses the total cost of a measure including what a consumer spends and the utility cost test just looks at what the utility spends. Since the evaluation is on the cost effectiveness of the utility investment vs the benefit to the system for the ratepayers, it is recommended that the state use a utility cost test. A consumer may be investing in energy efficiency for a number of reasons that have little to do with energy (design, comfort, sound dampening, etc...). Also, by looking at the utility cost rather than the consumer cost, the utility can benefit from private leverage of their limited incentive dollars for the greatest effect.